

# Economic Development Financing

Overview of Incentives and Policies

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      - ▶ Rob Murray, R. B. Murray Company
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## Economic Development Goals

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- ▶ Create and retain quality jobs
- ▶ Increase private investment
- ▶ Increase the property tax and sales tax base
- ▶ Pay the cost of public infrastructure
- ▶ Improve the quality of life for all citizens



# General Policies

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- ▶ The City will consider the use of incentives for projects that will provide a measurable public benefit through construction or improvement of public infrastructure, job creation and/or retention, and/or elimination of slum and blighted conditions.
- ▶ Developers are strongly encouraged to discuss their projects with staff prior to filing any applications for incentives.
- ▶ The City encourages developers to meet with taxing jurisdictions that will be affected by the incentive early in the process.



## General Policies - continued

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- ▶ All discretionary incentives will be subject to a “but for” test. There must be a finding by the City Council that the project would not occur, or would only occur at a significantly smaller scale, or will not be financially stable, or that public benefit will not occur if the incentive is not provided. Discretionary incentives will only be granted to those projects that would not otherwise occur if incentives were not provided, unless City Council finds there to be an overriding public benefit or a reduction in costs that would otherwise be paid by the City.



## General Policies - continued

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- ▶ Discretionary incentives will be granted only at the level necessary to make the project feasible.
- ▶ The City encourages sustainable development and will consider additional incentives for those projects that achieve a Silver rating or higher from the U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) program.
- ▶ The City will consider additional incentives for projects that create or retain quality jobs that pay wages higher than the Greene County average wage and offer competitive benefits.



## General Policies - continued

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- ▶ The City's "annual appropriation", or General Fund, guarantee will not be pledged for economic development projects, except in extraordinary cases.
- ▶ Taxes will not be reduced below the base year, as established by the individual redevelopment plans.
- ▶ The City will not waive City permit, development, or incentive fees.



## General Policies - continued

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- ▶ All projects receiving incentives must be consistent with the City's Comprehensive Plan and must comply with all applicable City zoning and building codes.
- ▶ Since each project is unique, every proposal will be evaluated under the City's Policies on its individual merit and overall contribution to the local economy and the City's goals.
- ▶ The City shall require periodic reporting evidencing compliance with the requirements of the program and measuring the economic benefit to the City and the region.





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- ▶ **Special Taxing Districts**
    - ▶ Community Improvement District
    - ▶ Transportation Development District
    - ▶ Neighborhood Improvement District
    - ▶ Special Business District
  
  - ▶ **Property Tax Abatement**
    - ▶ Enhanced Enterprise Zone
    - ▶ Land Clearance for Redevelopment Authority
    - ▶ Urban Redevelopment Corporation
    - ▶ Chapter 100 Bonds
  
  - ▶ **Increment Financing**
    - ▶ Access and Infrastructure Agreement
    - ▶ Tax Increment Financing
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# Special Taxing Districts

Community Improvement District  
Transportation Development District  
Neighborhood Improvement District  
Special Business District

# Community Improvement District

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- ▶ Purpose: to fund public improvements, provide public services, and/or remove blight
- ▶ May be organized as non-profit corporation or separate political subdivision of the state
- ▶ May levy property taxes, sales and use taxes and special assessments
- ▶ May issue bonds – not an obligation of the City
- ▶ Used to fund public improvements and/or services
- ▶ In blighted areas, may also be used to remove blight
- ▶ May only fund improvements and/or services within the District
- ▶ Property owner consent to create
- ▶ Established by City Council ordinance after proper notification, advertising, and public hearing
- ▶ Taxes subject to vote of qualified voters in the district



## CID Benefits

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- ▶ Tax only paid by persons using the district facilities and/or services
- ▶ CID can pay for broad range of public improvements and services
- ▶ Developer assumes risk - pays for improvements upfront and is reimbursed through CID revenues

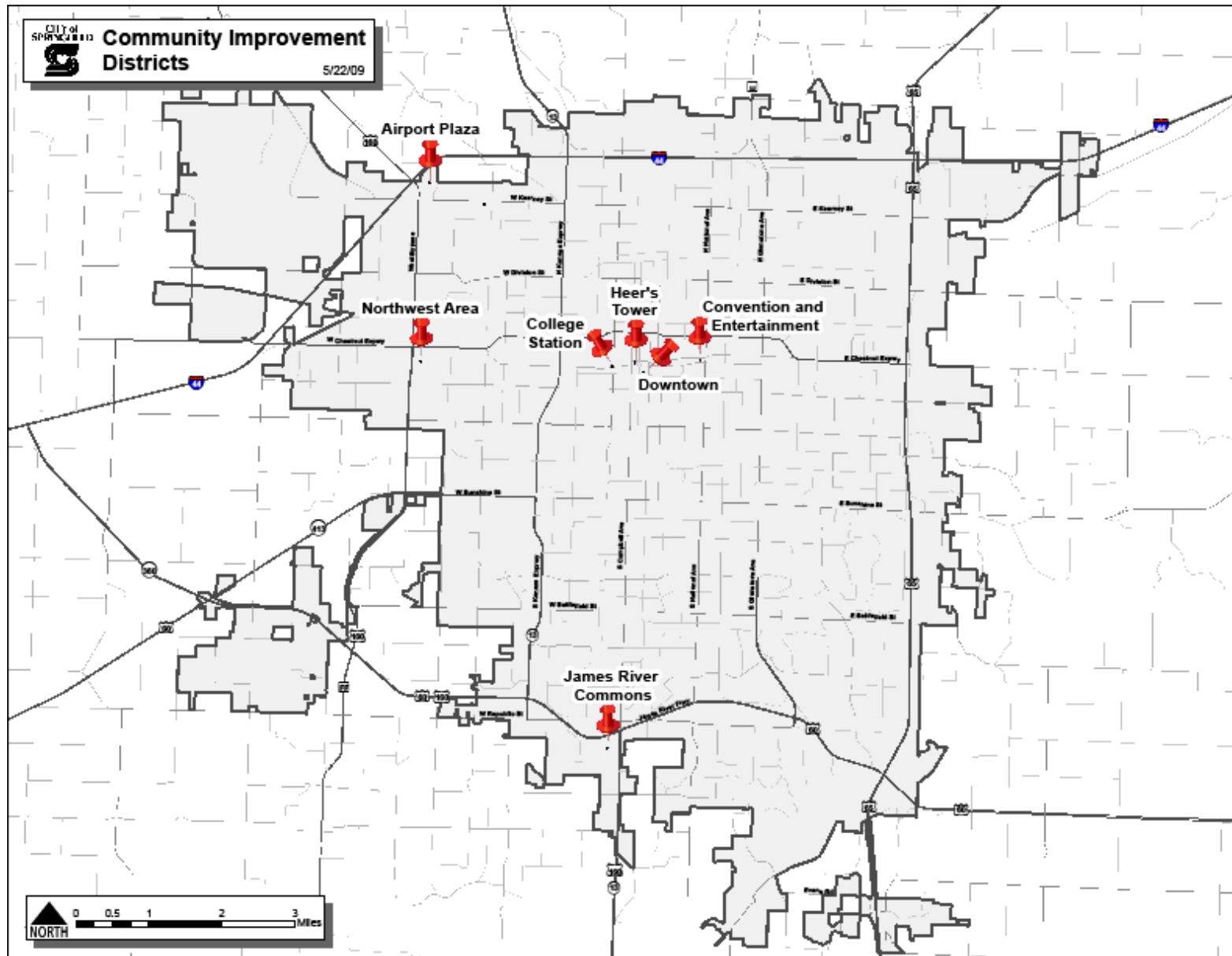


## CID Policy Highlights

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- ▶ City will consider CIDs to finance public improvements and/or services that benefit the property owners, business owners, customers, and residents of the district
- ▶ CIDs formed for purpose of funding public improvements will terminate when improvement expense has been reimbursed
- ▶ Developer funds improvements upfront
- ▶ Developer must enter into cooperative agreement with City and typically will pay 1.5% from district revenues collected for Administrative Fee





# Transportation Development District

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- ▶ Purpose: to fund transportation-related improvements
- ▶ Separate political subdivision of the state
- ▶ May levy property taxes, sales and use taxes and special assessments
- ▶ May issue bonds – not an obligation of the City
- ▶ Used to fund transportation improvements either within the district or outside so long as there is a direct benefit
- ▶ Created by petition filed with Circuit Court – City responds to petition in Court
- ▶ City may enter into cooperative agreement providing for collection and administration of the TDD sales tax



# TDD Benefits

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- ▶ Tax only paid by persons using the district facilities and/or services
- ▶ TDD can pay for transportation improvements located outside of the district if the improvements benefit properties within the district
- ▶ Developer assumes risk - pays for improvements upfront and is reimbursed through TDD revenues
- ▶ Two TDDs in Springfield
  - ▶ College Station TDD
  - ▶ Heer's Tower TDD





## TDD Policy Highlights

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- ▶ City will support establishment of TDDs to finance public improvements and/or services that benefit the property owners, business owners, customers, and residents of the district
- ▶ Developer funds improvements upfront
- ▶ If the City collects and administers the TDD tax, the Developer must enter into cooperative agreement with City and typically will pay 1.5% from district revenues collected for Administrative Fee and 1% as a Collection Fee



# Neighborhood Improvement District

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- ▶ Purpose: to fund public improvements that benefit the district
- ▶ NOT a separate political subdivision
- ▶ May levy special assessments
- ▶ City may issue general obligation bonds to finance public improvements
- ▶ Used to fund public improvements that benefit property within the district
- ▶ Created by City Council ordinance or election of property owners
- ▶ Two NIDs in Springfield
  - ▶ North Parkwood NID
  - ▶ Lone Pine Greenspace NID



# Special Business District

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- ▶ Purpose: to fund public improvements and services within the district
- ▶ Separate political subdivision of the state
- ▶ May levy property taxes and business license taxes
- ▶ May be used to fund public improvements and services
- ▶ May issue general obligation bonds and revenue bonds
- ▶ Established by City Council ordinance
- ▶ City Council has sole discretion as to how revenue shall be used
- ▶ Precursor to Community Improvement District law for downtown services



# Property Tax Abatement

Enhanced Enterprise Zone  
Land Clearance for Redevelopment Authority  
Urban Redevelopment Corporation  
Chapter 100 Bonds

# Enhanced Enterprise Zone

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- ▶ Purpose: to encourage business development and job creation in areas with higher unemployment and poverty levels
- ▶ Enhanced Enterprise Zone designated by State after application by the City
- ▶ Eligible businesses must be one of the following targeted industries
  - ▶ Manufacturing
  - ▶ Mining
  - ▶ Warehouse and distribution
  - ▶ Wholesale trade
  - ▶ Processing material recovery for wholesale trade
  - ▶ Any other business enterprise that creates and maintains 50 or more full time jobs
- ▶ Retail, eating and drinking establishments, and gaming operations are prohibited by State Law from receiving EEZ benefits



# Enhanced Enterprise Zone

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- ▶ Qualified businesses locating in the EEZ are entitled to receive local real property tax abatement on 50% of the new investment (excluding land and personal property) for 10 years – incentive is not discretionary
- ▶ State tax credits are available on a discretionary basis for qualified projects that create at least 2 new jobs and invest at least \$100,000
- ▶ EEZ is the successor to the Enterprise Zone program first designated in Springfield in 1984





# Land Clearance for Redevelopment Authority (Chapter 99)

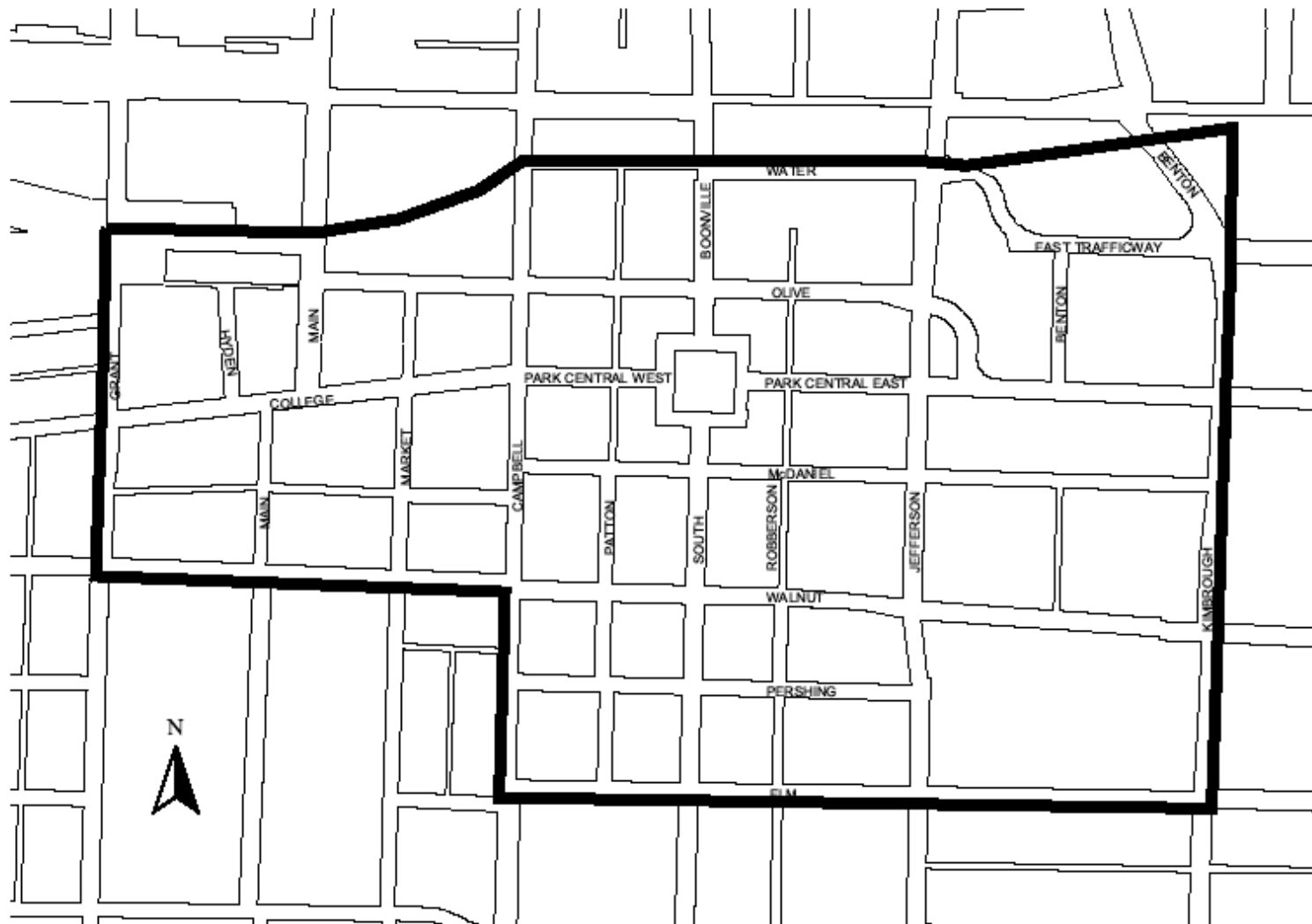
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- ▶ Purpose: to encourage redevelopment within blighted areas through property tax abatement
- ▶ LCRA authorized by State law and governed by 5 commissioners appointed by Mayor and confirmed by City Council
- ▶ LCRA recommends blight designations and redevelopment plans to City Council
- ▶ Within Council-approved redevelopment areas, projects consistent with the redevelopment plan receive 100% abatement on the increase in assessed value for 10 years
- ▶ Designation of blighted areas and redevelopment plans is at Council discretion
- ▶ Approval of abatement is not discretionary if the project is consistent with an approved redevelopment plan
- ▶ LCRA may also acquire and dispose of property and issue bonds



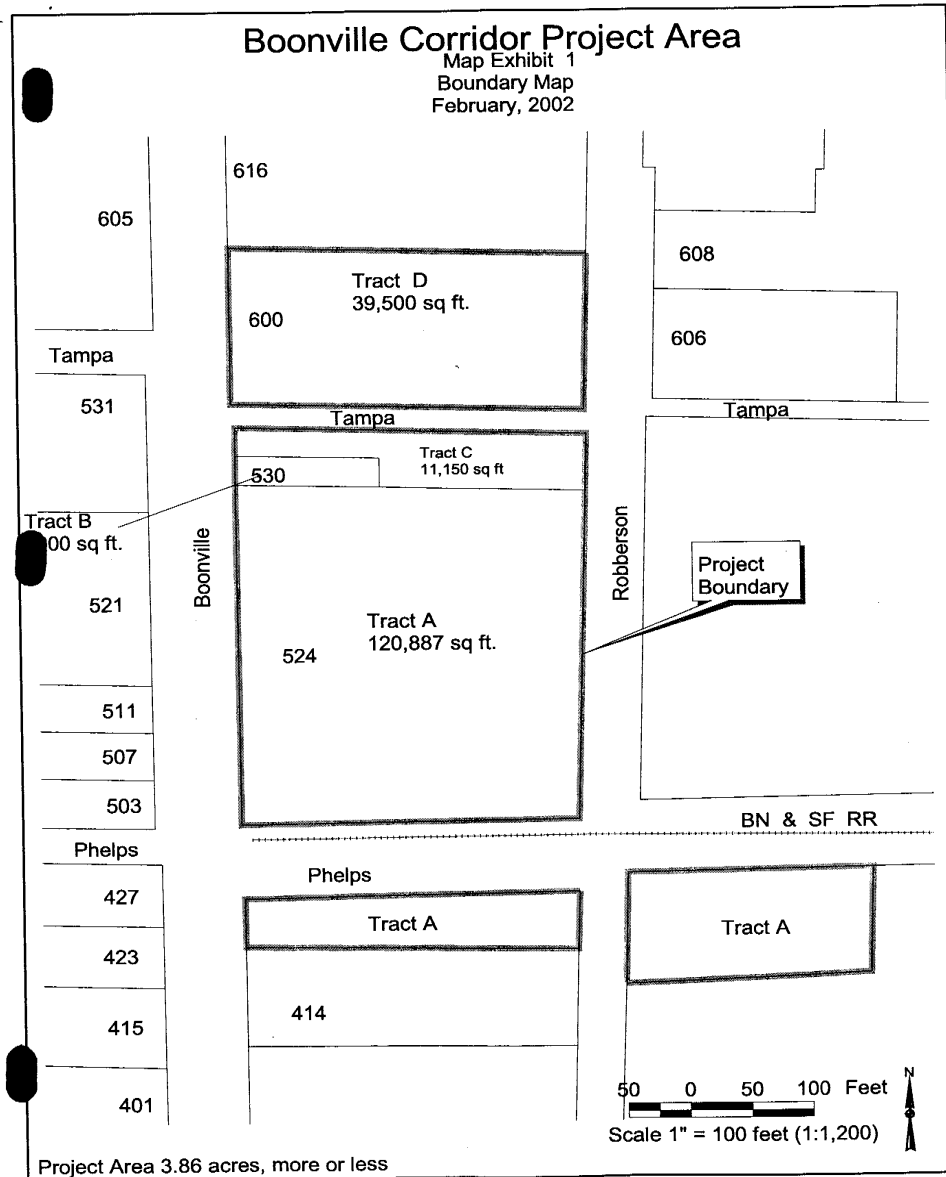


Downtown Redevelopment Plan  
as Amended September, 10, 1990



# Boonville Corridor Project Area

Map Exhibit 1  
Boundary Map  
February, 2002



# Urban Redevelopment Corporation (Chapter 353)

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- ▶ Purpose: to encourage redevelopment within blighted areas through property tax abatement
- ▶ Urban Redevelopment Corporations may acquire and dispose of property, construct and rehabilitate property and engage in blight removal activities
- ▶ Within Council-approved redevelopment areas, projects may receive 100% abatement on the increase in assessed value for 10 years and 50% abatement for the next 15 years
- ▶ Designation of blighted areas and redevelopment plans is at Council discretion

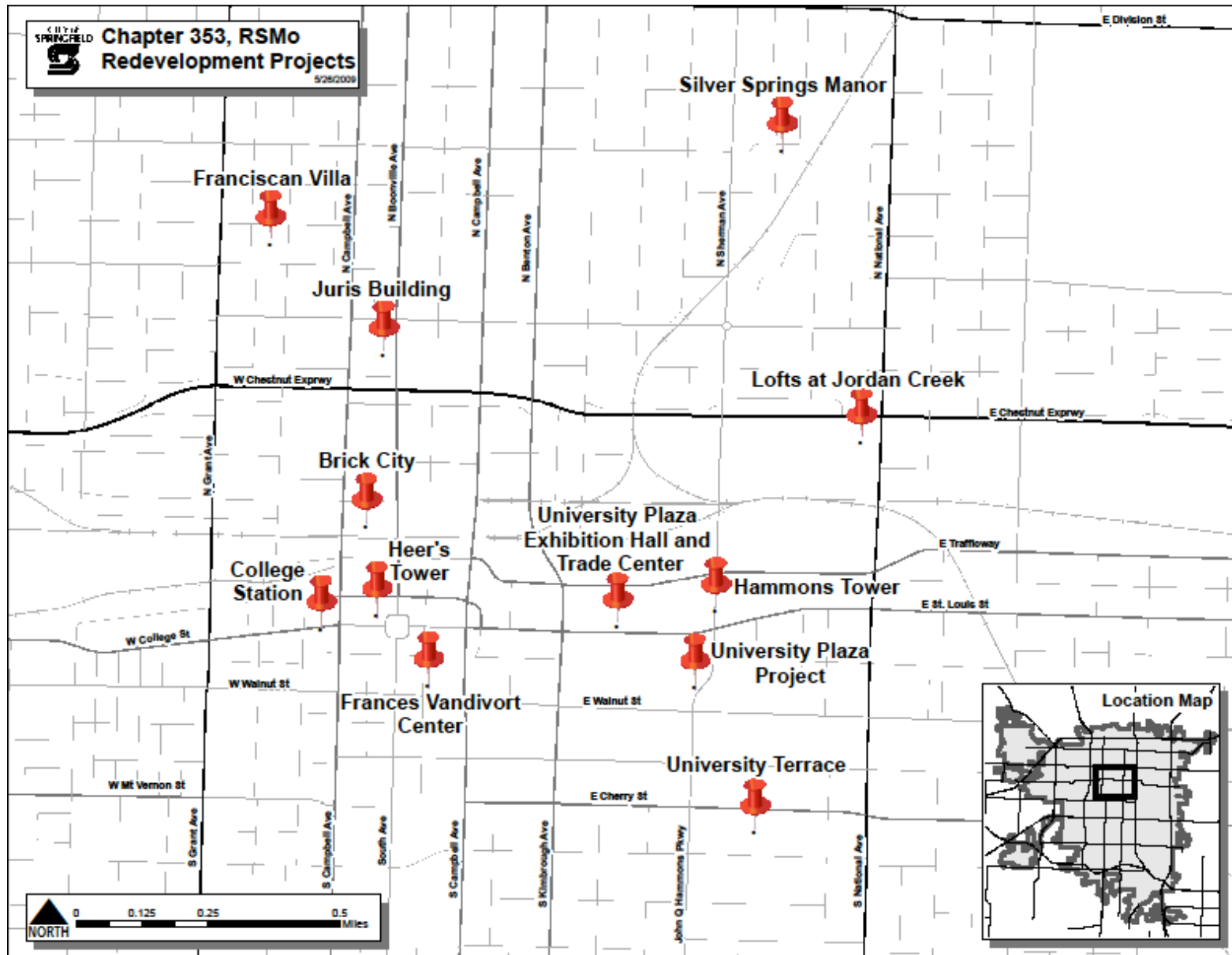


## Chapter 353 Policy Highlights

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- ▶ LCRA will review and make recommendation regarding blight
- ▶ Redevelopment Plan must be consistent with the City's comprehensive plan
- ▶ Property taxes will not be reduced below the amount of taxes paid in year preceding the 353 application
- ▶ Developer must prove that the incentive is necessary for the project to proceed ("but for" test)
- ▶ Proposals for 353 abatement will be strongly discouraged in approved TIF districts





## Chapter 100 Bonds

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- ▶ Purpose: to encourage private investment through real and personal property tax abatement and sales tax exemption on purchases
- ▶ May be used to finance land, building, fixtures and machinery for warehouse and distribution facilities, research and development facilities, office industries, service industries engaged in interstate commerce, industrial plants, and certain types of commercial development
- ▶ City Council issues bonds
- ▶ Company transfers ownership of development site and/or equipment to City
- ▶ Company buys the bonds and repays them
- ▶ After repayment, City conveys title back to the company



# Chapter 100 Bonds

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- ▶ Council may issue bonds after notice to taxing jurisdictions and public hearing
- ▶ Could provide for 100% abatement for 25 years unless a payment in lieu of taxes (PILOT) is required
- ▶ Springfield use
  - ▶ 910 Springfield, LLC (Opus Northwest /BKD Corporate Headquarters)
  - ▶ Kraft equipment /personal property\*
    - ▶ \*Council supported Kraft application for Chapter 100 project in 2006 – not executed
  - ▶ JQH Convention Center Hotel\*
    - ▶ \* Potential use identified in Development Agreement



# Chapter 100 Policy Highlights

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- ▶ **Real Property Tax Exemption**
  - ▶ \$20 Million Minimum Investment
- ▶ **Personal Property Tax Exemption**
  - ▶ \$25 Million Minimum Investment
- ▶ **Sales Tax Exemption**
  - ▶ Council must find extraordinary public benefit or savings
- ▶ **General Policies**
  - ▶ Create or retain 100 jobs at or greater than Greene County average wage
  - ▶ Abatement will typically mirror Enhanced Enterprise Zone
  - ▶ Annual employment reporting required





## Day 2

Increment Financing  
Other Economic Development Tools  
Job Creation and Retention / Retail Development

# Increment Financing

Access and Infrastructure Agreement

Tax Increment Financing

# Access and Infrastructure Agreement

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- ▶ Purpose: to provide public improvements in conjunction with new development
- ▶ City Council may approve contractual agreements between the City and private developers
- ▶ Typically involve either sales tax reimbursement or developer participation and are customized to the particular public improvement need
  - ▶ Sales tax reimbursement – developer pays for improvement and is reimbursed by 1/2 of City's 1% general sales tax generated at the development
  - ▶ Developer participation – Developer provides partial or total funding to expedite an unfunded public improvement that will benefit his development



# A & I Agreement Policy Highlights

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- ▶ Will only be used for public improvements
- ▶ Only the general sales tax will be used for reimbursement - dedicated sales taxes will not be used
- ▶ City's reimbursement will typically occur over a 3–5 year period
- ▶ Outstanding developer expenditures not reimbursed at the end of the Agreement term will be the developer's responsibility
- ▶ City will pay the developer interest on the unpaid balance of the public improvement at a rate of 2% over the latest City bond issue
- ▶ When considering Developer Participation agreements, the City will evaluate the project on the merits of available matching funds, compatibility with the current work program, and whether the project addresses an immediate or emerging public need



# Tax Increment Financing

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- ▶ Purpose: to fund project-related costs, infrastructure and capital improvements through the redirection of the incremental increase in sales and property taxes
- ▶ Activities eligible for TIF reimbursement:
  - ▶ Plans and specifications
  - ▶ Land acquisition and site preparation
  - ▶ Public improvements
- ▶ Private improvements can only be funded if the TIF District is declared blighted
- ▶ TIF captures 100% of the incremental increase in property taxes (PILOTS) and 50% of the incremental increase in sales taxes (EATS – economic activity taxes)
- ▶ TIF can last up to 23 years



# Tax Increment Financing

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- ▶ City Council establishes TIF Commission
- ▶ TIF Commission recommends approval of TIF Redevelopment Plan to City Council
- ▶ TIF Commission solicits requests for proposals consistent with the Redevelopment Plan
  - ▶ 2 members appointed by County Commission
  - ▶ 2 members appointed by School District
  - ▶ 1 member appointed by “other taxing districts”
  - ▶ 6 members appointed by Mayor and confirmed by City Council
    - 1 a representative of Springfield – Greene County Library
    - and 1 a member of City Council



# Tax Increment Financing

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- ▶ City Council establishes TIF District after notices to property owners and taxing jurisdictions and public hearings
- ▶ Springfield uses
  - ▶ Jordan Valley Park
  - ▶ Commercial Street
  - ▶ Heer's\*
  - ▶ JQH Convention Center Hotel\*
    - ▶ \* Potential use identified in Development Agreements



# Tax Increment Financing Policy Highlights

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- ▶ Must demonstrate that alternative financing methods have been thoroughly explored
- ▶ Financial capacity to complete and operate project
- ▶ Must demonstrate substantial and significant public benefit
- ▶ Minimum 15% developer cash equity investment in project
- ▶ Must demonstrate market demand for project
- ▶ Retail projects must demonstrate the project will encourage inflow of customers from outside Springfield or will provide services or fill retail markets currently unavailable or in short supply
- ▶ TIF term will be the minimum necessary





# Loan Programs and Other Tools

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## ▶ Loan Programs

- ▶ Small Business Development Loan Program
- ▶ Center City Façade Improvement Loan Program
- ▶ Microenterprise Loan Pilot Program / Business Incentive
- ▶ Brownfields Revolving Loan Fund Program

## ▶ Additional Economic Development Tools

- ▶ State Tax Increment Financing
- ▶ MODESA / “MODESA LITE”
- ▶ State Tax Credits
- ▶ Recovery Zone Bonds



Program	Sales Tax	Property Tax	Business License Tax	Fees	Special Assessment	Bond Financing	Eminent Domain	Real Property Tax Abatement/ Exemption	Personal Property Tax Abatement/Exemption	Sales Tax Exemption	Redirect Property Tax Increment	Redirect Sales Tax Increment	Loans	Grants
Community Improvement District	X	X	X	X	X	X								
Transportation Development District	X	X			X	X	X							
Neighborhood Improvement District					X	X								
Special Business District		X	X			X								
Land Clearance for Redevelopment Authority						X	X	X						
Chapter 100 Bonds						X		X	X	X				
Urban Redevelopment Corporation						X		X						
Enhanced Enterprise Zone								X						
Access and Infrastructure Agreement												X		
Tax Increment Financing						X	X				X	X		
Small Business Development Loans													X	
Center City Façade Loans													X	
Microenterprise/Business Incentive Loans													X	
Brownfields Revolving Loan Fund													X	X



# Organization by Purpose

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- ▶ **Public Improvements**
  - ▶ Community Improvement District
  - ▶ Transportation Development District
  - ▶ Neighborhood Improvement District
  - ▶ Special Business District
  - ▶ Access and Infrastructure Agreement
- ▶ **Public and/or Private Improvements**
  - ▶ Tax Increment Financing
- ▶ **Private Improvements**
  - ▶ Enhanced Enterprise Zone
  - ▶ Land Clearance for Redevelopment Authority
  - ▶ Chapter 353 – Urban Redevelopment Corporations
  - ▶ Chapter 100
  - ▶ Loan Programs



# Organization by City Control

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- ▶ **Formed and/or Controlled by the City**
  - ▶ Neighborhood Improvement District
  - ▶ Special Business District
  - ▶ Enhanced Enterprise Zone
  - ▶ Land Clearance for Redevelopment Authority
  - ▶ Chapter 353
  - ▶ Chapter 100
  - ▶ Access and Infrastructure Agreements
  - ▶ Loan Programs
- ▶ **Formed by the City but NOT Controlled**
  - ▶ Community Improvement District\*
  - ▶ Transportation Development District\*
  - ▶ Tax Increment Financing District



# Organization by City Liability

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- ▶ **Full City Liability**
  - ▶ Neighborhood Improvement District
- ▶ **Limited City Liability**
  - ▶ Tax Increment Financing
- ▶ **No City Liability**
  - ▶ Chapter 100
  - ▶ Community Improvement District
  - ▶ Transportation Development District
- ▶ **Optional City Liability**
  - ▶ Pledge of Annual Appropriation



# Job Creation and Retention Retail Development

## City's Role in Job Creation and Retention

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- ▶ Member of Partnership for Economic Development
- ▶ Development of Industrial Parks
- ▶ Assist Prospects and Site Selection Consultants
- ▶ Enterprise Zone Administrator



# Springfield's Partnership for Economic Development

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- ▶ City of Springfield
- ▶ City Utilities
- ▶ Springfield Area Chamber of Commerce
- ▶ Springfield Business & Development Corporation
- ▶ Greene County





## Partnership Industrial Center and PIC - West

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- ▶ City provides sanitary sewer
- ▶ City and County provide roads and stormwater detention
- ▶ City Utilities provides gas, water, electric
- ▶ Chamber / SBDC purchased part of PIC West land and market the parks
- ▶ Land is sold at “cost recovery”



# Partnership Industrial Center and PIC - West

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## ▶ Partnership Industrial Center

- ▶ 1994 – 310 acres
- ▶ 23 companies
- ▶ 2,397 jobs
- ▶ \$182.7 Million investment



## ▶ PIC – West

- ▶ 2000 - 400+/- acres
- ▶ 7 companies
- ▶ 330 jobs
- ▶ \$91.1 Million investment



# Job Creation and Retention Retail Development

Greg Williams, Springfield Area Chamber of Commerce

Rob Murray, R.B. Murray Company